

To: Lee, Monica[Lee.Monica@epa.gov]
From: POLITICO Pro Energy
Sent: Wed 8/19/2015 9:53:29 AM
Subject: Morning Energy, presented by The Sierra Club: Methane on the brain — Carson hits EPA over mine spill — Menendez floats support for 'strategic' crude exports

By Nick Juliano | 8/19/15 5:52 AM EDT

With help from Elana Schor, Alex Guillén and Matt Daily

METHANE ON THE BRAIN: EPA has unveiled its plan to curb methane from oil and gas that represent the centerpiece of the Obama administration's widely touted plan to slash the industry's emissions of the potent greenhouse gas by as much as 45 percent from 2012 levels over the next decade. But the proposed new standards for "green completions" of fracked oil wells and more state-of-the-art technology to capture drilling-related methane only get the administration about two-thirds of the way to its broader goal, and EPA isn't saying anything about any next steps that would finish the job.

The oil and gas industry slammed the rules, saying they've made good progress in cutting methane voluntarily, and congressional Republicans were equally incensed. "The oil and gas industry has taken many welcome steps to deploy technologies to reduce methane emissions, but the EPA seems intent on handcuffing the industry," Rep. Ed Whitfield (R-Ky.), a top lieutenant on the House Energy and Commerce Committee, said in a statement.

Greens left wanting more: Environmental groups hailed the methane proposal but made like J.C. Brooks & the Uptown Sound [<http://bit.ly/1K3Y6GR>] and called for more — specifically, an EPA commitment to tackling methane emissions from existing oil and gas operations, in addition to the standards for new and modified sources that led the way in Tuesday's rollout.

The methane rules released Tuesday will not be finalized until at least next year, and it is unlikely that EPA would have time to complete additional ambitious regulations on the oil and gas sector before the president leaves office. The full story, from Elana Schor: <http://politico.pro/1K4t4i4>.

Clinton, Sanders would expand the rules: Hillary Clinton's senior policy adviser, Maya Harris, tweeted [<http://bit.ly/1foG6u5>] that the rules are a "major step" and said that Clinton "will defend and build upon these measures to protect our climate." Bernie Sanders tweets [<http://bit.ly/1WE1Rb4>] that the rules are an "important step but we must do more to tackle the crisis of climate change."

ARE WE SURE IT'S REALLY AUGUST? It's been tough to tell given the non-stop stream of energy news this month. Welcome to Wednesday, I'm your temporary Morning Energy host Nick Juliano, and I just wish the methane rules had come out in time to squeeze in that J.C. Brooks reference before their great show at the Black Cat last weekend. Be sure to catch them next time they swing through — you won't regret it, unless you hate fun. Elana Schor is back at the helm tomorrow, so send her your tips, eschor@politico.com. And follow us on Twitter [@nickjuliano](https://twitter.com/nickjuliano), [@eschor](https://twitter.com/eschor), [@Morning_Energy](https://twitter.com/Morning_Energy) and [@POLITICOPro](https://twitter.com/POLITICOPro).

DEBRIEF INTERVIEW WITH FEMA HEAD: As the 10th anniversary of Katrina quickly approaches, current FEMA head Craig Fugate explains how the agency rebuilt after its huge fumble in New Orleans — and reveals the natural disaster he's most worried about now. Find out on this week's Debrief video from The Agenda: <http://politi.co/1Plxlxg>.

CAMPAIGN TRAIL ROUNDUP:

— **Carson in Colorado:** On the way to a campaign rally in Durango, Colo., yesterday, Ben Carson visited the nearby Animus River, into which EPA inadvertently spilled 3 million gallons of water contaminated with mining waste earlier this month. Carson warned, “We don’t understand the long-term environmental impacts,” and promised to overhaul EPA if elected, according to the Durango Herald.

More from the paper: [<http://bit.ly/1NiQbaK>] “Carson described the EPA as dominated by “a bunch of bureaucrats who don’t know a bunch of anything” and who try to “control people’s lives” and promised under his administration, Americans would see “a different kind of EPA.”

‘Under my administration, you wouldn’t have to sue the EPA, because I would get rid of all the old people and bring in people who understand the Constitution,’ [Carson said].

“In an interview after the event, he seemed to walk back his comments about firing everyone who works for the EPA.

“‘Not everyone,’ he clarified. ‘But people who don’t understand the purpose of the EPA, which is not to make businesses miserable. I think they should be working along with industry, not as adversaries but as allies.’”

— **Clinton in Las Vegas:** The big Hillary Clinton energy news came on Twitter yesterday, when Clinton planted herself firmly to Obama’s left on the issue of Arctic drilling, which she opposed. She gave a longer-than-140-characters explanation at an appearance in Las Vegas later in the day: “I have been to the Arctic, I have been to Barrow [Alaska] ... and I think we should not risk the potential catastrophes that could come about from accidents in looking for more oil in one of the last remaining pristine regions of the world,” Clinton said.

ICYMI, Elana Schor, Katie Glueck and Andrew Restuccia have the story: <http://politi.co/1hnfviU>.

— **Walker faces questions over RFS stance:** The pro-biofuels campaign America’s Renewable Future says Scott Walker’s Monday comments calling for a two-year repeal of the Renewable Fuel Standard have left his position a little murky. Walker, speaking at the Iowa State Fair, said he would like to see “all the different standards and mandates bunched together and phased out ... over the next couple years. Because I believe if you get market access, which would be the goal over that time, you don’t need the standard. Market access is really the issue.” (See Walker’s full remarks on the RFS here, starting at the 20-minute mark: <http://dmreg.co/1hHZa8g>)

ARF, which noted farmers and biofuels companies made investments with the idea that the RFS would last through at least 2022, wants Walker to be clearer, in particular about whether he means repeal two years from now, two years from taking office or two years after biofuels achieve market access. Repealing before biofuels achieve “full market access” would be “a catastrophic blow to America’s farmers and rural economies,” ARF said. “Ending the RFS prematurely will only strand capital and punish the pioneers who invested in clean, home grown renewable energy.” Walker’s campaign didn’t respond to questions on Tuesday.

**** A message from The Sierra Club:** Love Clean Air? You’ll love the Clean Power Plan. Nearly 70 percent of Americans support it, and 8 million submitted favorable comments. We’re going @BeyondCoal toward a clean energy economy that means cleaner air, healthier families, and new jobs. #ActOnClimate = #GoodForAmerica: www.sierraclub.org **

INTERIOR TO HEAD INQUIRY INTO EPA SPILL: Speaking of the Colorado mine spill, EPA announced yesterday that the Interior Department will run an independent investigation into the incident. Interior began its assessment Tuesday and is expected to complete it within 60 days. EPA’s inspector general is also conducting a preliminary inquiry into the spill at the Gold King Mine.

MENENDEZ FLOATS ‘STRATEGIC’ CRUDE EXPORTS TO COUNTER IRAN: In his speech announcing opposition to the Iran nuclear deal yesterday, Sen. Bob Menendez also slipped in an apparent shift of his position on crude oil exports. The New Jersey Democrat has traditionally been skeptical of calls to lift crude export ban, along with most other items on the oil industry’s wish list. But he opened the door to supporting limited exports yesterday — provided they follow a return of sanctions on Iran and other policy shifts. The U.S., he said, should “consider licensing the strategic export of American oil to allied countries struggling with supply because Iranian oil remains off the market.” (h/t Platts: <http://bit.ly/1NiZqYh>)

THE SUMMER OF OIL’S DISCONTENT: Nervous oil companies got a reprieve yesterday when the NYMEX crude oil futures popped up about 75 cents a barrel, but that doesn’t mean producers are getting back into a comfort zone. Just a year ago, oil prices were hovering in the mid-\$90s, a far cry from the \$42 a barrel level now. And as much pain as the oil producers in the U.S. are feeling, it’s worse north of the border: the Western Canadian Select grade (the kind of crude that Keystone XL could carry) may average in the \$20s during the third quarter [<http://bit.ly/1TSOZip>]. Today, all eyes will turn toward the Energy Information Administration’s weekly inventory data to see if it matches the larger-than-expected 2.3 million barrel drop in oil inventories that API data showed. For oil producers who are looking at a global market awash in oil, that demand — which the IEA says has been rising at its fastest pace in five years [<http://on.wsj.com/1IYQv7m>] — may be the only factor that can keep them from breaking below the 6-1/2 year low they touched last week.

SENATE DEMS PRESS SEC ON OFFSHORE DRILLING RISK DISCLOSURE: In the wake of Shell’s Arctic approval, a dozen Senate Democrats led by Maryland’s Ben Cardin want the SEC to review disclosure requirements for companies that drill offshore to make sure “that companies fully and fairly disclose the risks from proposed offshore oil and gas activities.” Shell,

they write, "did not disclose risks inherent to its Arctic Ocean exploration program," despite offshore drilling carry significant risk. "Full and timely disclosure of material risk is necessary to protect investors by enabling them to make informed investment decisions."

The letter: <http://1.usa.gov/1NDH9BY>.

LEASING IN THE BIG EASY: The Bureau of Ocean Energy Management plans to hold a lease sale for nearly 22 million acres of offshore Texas land today at the Superdome in New Orleans. At the close of bidding on Tuesday, the agency had received 33 bids from five companies for tracts of land included in the sale, which is the eighth that the Obama administration has held under its Outer Continental Shelf leasing program for 2012-2017.

VIRGINIA IS FOR LOVERS (OF CO2 REDUCTIONS): The Natural Resources Defense Council is releasing a fact sheet today outlining how the Old Dominion State could hit its carbon-reduction targets under the Clean Power Plan with an approach that emphasizes renewable energy and efficiency. Read it here: <http://on.nrdc.org/1Py7ORY>.

QUICK HITS:

— Northern Pass proposes new route that would bury more of a controversial power line through New Hampshire. Concord Monitor: <http://bit.ly/1Jh8OZL>

— Calif. legislators have floated \$4.7 billion worth of proposals for their \$2.7 billion cap-and-trade fund, according to a critic's analysis. Sacramento Bee: <http://bit.ly/1fo9rVg>

— The UK's top polluter wants to be its biggest renewable energy producer. Quartz: <http://bit.ly/1TRkhpQ>

— Big Oil's Shadow War on Billionaire Tom Steyer. Bloomberg: <http://bloom.bg/1K3vA8p>

— Companies that make leak-detection and pollution control technology see an upside in EPA's new methane rules. Reuters: <http://reut.rs/1NDZXRI>

— Washington Post editorial says criticisms of methane rule will be unconvincing at least as long as there's no price on carbon. <http://wapo.st/1JpRbZS>

— Obama's Wind-Energy Lobby Gets Blown Away. Wall Street Journal: <http://on.wsj.com/1TTiRWK>

HAPPENING TODAY:

— 11 a.m. Nuclear Matters, an advocacy group, hosts a Google hangout with Larry Lindsey, former Assistant to President Bush and Former Director of the National Economic Council and Felix Meissner, Past President of North American Young Generation in Nuclear. Tune in here: <http://bit.ly/1NDjl1d>

— 11:30 a.m., The Sierra Club is hosting a telebriefing to discuss the release of the EPA's federal methane pollution standards for new and modified oil and gas development facilities. To RSVP for the telebriefing and receive the call details, please contact Alexa Shaffer.

— 1 p.m., EPA holds a meeting by teleconference of the Environmental Laboratory Advisory Board to discuss the ideas and views presented at the previous ELAB meetings, as well as new business. The agenda includes: Issues in continuing the expansion of national environmental accreditation; ELAB support to the Agency on issues relating to measurement and monitoring for all programs; and follow-up on some of ELAB's past recommendations and issues

THAT'S ALL FOR ME: Scattered Thunderstorms, high of 87.

**** A message from The Sierra Club:** Because families are demanding cleaner, healthier energy in their communities, over 200 coal plants have been replaced or phased out over the past 5 years as America moves @BeyondCoal. Now, thanks to the Clean Power Plan, the first-ever limits on dangerous carbon pollution are in place. The #CleanPowerPlan will save thousands of lives and billions in health costs while helping us move toward a healthy, thriving clean energy economy. Stand with the majority of the American public and stand up for #TheCleanPowerPlan. #ActOnClimate = #GoodForAmerica: www.sierraclub.org **

Stories from POLITICO Pro

EPA rules target methane from oil, gas drilling

EPA rules target methane from oil, gas drilling back

By Elana Schor | 8/18/15 4:32 PM EDT

The Obama administration on Tuesday rolled out a proposal to curb the oil and gas industry's methane emissions that it billed as the latest step in a more ambitious plan to curtail the sector's emissions.

The next step remains a mystery.

EPA said Tuesday that its proposed rules are expected to reduce methane leaks from oil and gas fracking operations by 30 percent by 2025 compared to 2012 levels. That's about two-thirds of the way toward the goal President Barack Obama outlined in January, to cut oil and gas methane emissions by between 40 and 45 percent over the next decade.

But the methane rules will not be finalized until at least next year, and it is unlikely that EPA would have time to complete additional ambitious regulations on the oil and gas sector before the president leaves office.

Environmentalists greeted the rules for new operations with calls for EPA to quickly pivot to regulating existing oil and gas wells and gathering and processing equipment. But the agency's

acting air chief, Janet McCabe, declined to discuss specifics in response to repeated questions Tuesday on how the administration would set the oil industry fully on track towards the 2025 goal.

“We are not ruling anything out,” McCabe said on a press call. EPA is “taking this in a stepwise fashion.”

The administration’s proposal managed to please neither side of the heated debate over cutting emissions of methane, a greenhouse gas more than 20 times as potent as carbon dioxide. Oil and gas producers argue that the rules are unnecessary because methane emissions from fracking already are on the decline, while greens said EPA is ignoring the most important source of the industry’s emissions by failing to regulate existing sources.

“EPA’s own data show that methane emissions from fracking are already rapidly declining as production has skyrocketed,” said Katie Brown, spokeswoman for the industry-backed Energy in Depth project. “Federal regulations, especially if crafted poorly, could inflict more pain on the men and women who work in the oil and gas industry — at a time when market forces are already creating economic challenges.”

Environmental Defense Fund President Fred Krupp spoke for many climate activists in asking EPA point-blank how it planned to meet its own long-term goals: “The question to ask of any proposal is how far does it take us toward achieving a 45 percent reduction, and how quickly does it get us there?”

The Sierra Club’s fuels campaign director, Lena Moffitt, said her group’s analysis showed the administration could cut methane from the oil and gas sector by as much as half over the next decade through “stringent rules” for existing leaks, compressors, pneumatic devices, liquids unloading and well completions.

EPA released four rules as part of the proposal Tuesday. The marquee rule for new and modified sources would require drillers to use green completions on oil and gas wells and upgrade processing and gathering equipment to reduce methane leaks, among other requirements. That expands a 2012 rule for new gas wells and extending it to oil wells as well as several common sources of methane leaks, including compressors and pneumatic pumps.

The regulations also address existing oil and gas wells in regions with excessive ozone pollution, define when to require permits for adjacent wells and set methane limits as well as new permitting guidelines for drillers operating on Indian land. They all are subject to a 60-day public comment period and are scheduled to be finalized next year, according to the administration’s regulatory agenda.

Senate Environment and Public Works Chairman Jim Inhofe (R-Okla.), one of EPA’s fiercest critics, vowed to hold an oversight hearing on the methane plan this fall.

On the presidential campaign trail, Democratic hopeful Sen. Bernie Sanders echoed green groups in calling the plan “an important step” while adding that “we must do more to tackle the crisis of

climate change.”

Oil and gas development is the single largest domestic generator of methane, which makes up an estimated 9 percent of U.S. greenhouse gas emissions. But EPA’s proposal would actually trim less methane than a proposal the agency released to far less fanfare on Friday that would crack down on the third-largest source of methane emissions, municipal landfills.

The oil and gas measure will prevent up to 363,000 metric tons of methane in 2025, the equivalent of 9 million metric tons of carbon dioxide, according to EPA.

But the landfill proposal, which updates standards first set in 1996, would reduce methane emissions by 436,000 metric tons in 2025, or the same as about 10.9 million metric tons of CO2.

Each rule would cut a few thousand tons of air toxics such as benzene and toluene, according to EPA.

The two rules also have unique side benefits. The oil and gas regulation will cut out up to 180,000 tons of volatile organic compounds, which contribute to forming ozone, in 2025. And EPA says its landfill rule will lead to a net reduction of 238,000 metric tons of carbon dioxide as electricity demand drops because of power gained from landfill gas.

EPA recently declined to go after emissions from another major source. The agency in 2013 rejected a request from green groups to regulate methane emissions from coal mining, the fourth biggest source in the U.S.

The agency said it did not have the time or resources to write such a rule, a position later backed up by a federal court. But the door was left open for EPA to one day revisit its decision.

Other major sources of U.S. methane are livestock such as cows and stockpiles of manure from other farm animals.

Alex Guillen contributed to this report.[back](#)

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